should be allowed to recover possession of the premises on condition that he makes reasonable compensation to the defendant for what is, in the word of Taylor J. in *Kwek Kim Hock* v. *Ong Boon Siong*,[7] "tant-amount to expropriation". I am informed that the plaintiff has offered compensation to the defendant in the sum of $15,000.00 for vacant possession of the premises and that this offer has been rejected by the defendant. I have inspected the house and in my opinion the plaintiff has made a very generous offer. Without knowledge of this offer I would have assessed compensation at a sum well below $15,000.00. There will be an order that the defendant do deliver vacant possession of the premises to the plaintiff within three months from today and that the plaintiff do pay to the defendant the sum of $15,000.00 upon delivery of vacant possession of the premises. Each party will pay his own costs.

Order accordingly.

Solicitors: *Edward Y. T. Loke; Almenoar & Co.*

V.S.L. PRESTRESSING (AUSTRALIA) PTY. LTD. v. D.J. MULHOLLAND

[O.C.J. (Choor Singh J.) July 29, 1971]

[Singapore — Suit No. 903 of 1971]

Master and Servant — Restraint of trade — Employee gaining knowledge of confidential information — Trade secret — Meaning of — Right of ex-employee to compete with former employer.

Practice and Procedure — Interim injunction — Order for early trial — Trial without pleadings — R.S.C. 1970, O. 29 r. 5.

The defendant, a professional civil engineer was employed by the plaintiffs who were specialist sub-contractors in civil engineering operating in Australia. The plaintiffs had a licence from Losinger of Berne, Switzerland, for the use of the V.S.L. system of prestressed construction. The plaintiffs employed the defendant, gave him training and experience in the V.S.L. system for prestressing construction and sent him to Singapore as their manager for South-East Asia. In the course of his employment the defendant had access to a wide range of confidential documents such as manufacturing drawings, specifications, operational drawings, installation instructions, cost data and market survey information. After serving for over one year as the plaintiffs' manager for South-East Asia, the defendant suddenly resigned and threatened to set up in business in competition with the plaintiffs in the prestressed construction field. The plaintiffs sought an injunction to restrain the defendant from utilising or profiting from the information or knowledge gained by the defendant in the course of his employment with the plaintiffs, and from engaging in any business and employing therein such design or technique and other processes similar to those used by the plaintiffs within Singapore for the period of one year.

Held: (1) an employer cannot prevent his employee from using the skill and knowledge in his trade or profession which he has learnt in the course of his employment;

(2) the case in which the court will intervene for the purpose of protecting the former employer is when use is made, not of the skill and know-how which the employee has acquired but of any trade secret of the employer which the employee has no right to use or reveal. Trade secret means some proprietary right of the employer, either in the nature of trade connections or in the nature of some secret process of manufacture;

(3) in this case the defendant was never entrusted with any trade secret within the meaning of that expression as used in this type of cases and the plaintiffs were therefore not entitled to the injunction which they sought.

Cases referred to:-

(1) *Nordenfelt* v. *Maxim Nordenfelt Guns and Ammunition Co. Ltd.* [1894] A.C. 535.

(2) *Sir W.C. Leng & Co.* v. *Andrews* [1909] 1 Ch. 763.

(3) *Mason* v. *Provident Clothing & Supply Co. Ltd.* [1913] A.C. 724.

(4) *Herbert Morris Ltd.* v. *Saxelby* [1916] A.C. 688.

(5) *Terrapin Ltd.* v. *Builders' Supply Co. (Hayes) Ltd.* [1960] R.P.C. 128 at p. 130.

(6) *Cranleigh Precision Engineering Ltd.* v. *Bryant* [1965] 1 W.L.R. 1293 at p. 1317.

SUIT.

M. Karthigesu for the plaintiffs.

C. H. Smith (*Lim Teck Hui* with him) for the defendant.

Cur. Adv. Vult.

Choor Singh J.: The plaintiffs are specialist sub-contractors in civil engineering and are incorporated in Australia. They specialise in the prestressing and rock anchoring of building structures. The plaintiffs have an office in Singapore. On 24th July, 1970 they appointed the defendant as their manager for South-East Asia. On 12th June, 1971 the defendant resigned from the service of the plaintiffs. On 16th June, 1971 the plaintiffs by an *ex parte* application obtained an *interim* injunction against the defendant restraining him from doing any of the following acts until the hearing of a motion for an order that the said injunction do continue until the trial of this action:—

(1) utilising or in any way profiting from the information or knowledge which has been communicated to the defendant by the plaintiffs or obtained by the defendant in the course of his employment with the plaintiffs as the plaintiffs' South-East Asia manager stationed in Singapore;

(2) interfering and intermeddling with the plaintiffs' business or its servants or workmen or agents;

(3) directly or indirectly engaging or concerning himself in and business of the kind carried on by the plaintiffs, within Singapore for a period of one year from date hereof; and

(4) divulging to any person firm or company or body or persons whomsoever any information concerning the business or the finance of the plaintiffs.

At the hearing of the motion, the court ordered an early trial of the action under Order 29 rule 5; that the trial be without pleadings and that the *interim* injunction do continue until the trial.

Counsel for the plaintiffs has now applied to vary the third part of the injunction to read as follows: —

(3) "directly or indirectly engaging or concerning himself in any business and employing therein such design or techniques and other processes whatsoever similar to those used by the plaintiffs within Singapore for the period of one year from the 16th June 1971"

The evidence shows that the plaintiff company has been in existence in Australia for six years. The plaintiffs are, what may be called specialist sub-contractors who work in conjunction with building and civil engineering contractors on projects which include

buildings, bridges, dams, walls and foundations. They contract to supply the necessary materials and equipment for the prestressing of structures and also for the execution of their prestressing designs. They also provide some design assistance or aid to consulting engineers and government bodies who do not have detailed knowledge of prestressing design and or knowledge to incorporate the plaintiffs' materials and techniques into their structures. The plaintiffs have a licence from Losinger of Berne, Switzerland for the use of the V.S.L. system for prestressing cables and rock and soil anchors for Australia and South-East Asia. It is said that Losinger has developed and are continually developing prestressing and rock anchoring techniques since 1955 and are considered a world leader in this field. The plaintiffs claim that the multi-strand system is patented and that although certain other aspects of the system are not covered by patent, these materials, techniques and procedures are held in security by them to prevent any competitor gaining this information without having to incur significant development expenses. The plaintiffs admit that the multi-strand system is not registered for South-East Asia.

The defendant who is a professional civil engineer was working in America with T. Y. Lin & Co. and he left them to join the plaintiffs. The plaintiffs admit that the work of T. Y. Lin & Co. is very similar to the design assistance the plaintiffs give to other consulting engineers and authorities but it is said that T. Y. Lin & Co. do not contract to carry out their design. The plaintiffs claim that the defendant was given instruction and access to manufacturing drawings of all their component parts; that he inspected a wide variety of the plaintiffs' job sites and was given detailed working procedures relating to these work sites; and that he was trained in the preparation of tenders and contract bids. The nature of the confidential information which the plaintiffs allege has come into the possession of the defendant is the following:—

1. manufacturing drawings and specifications for a wide range of typical prestressing components;
2. manufacturing and operational drawings and specifications of a wide range of typical prestressing equipment;
3. operational and installation instructions on the construction and use of these materials and equipment;
4. precise cost data for use in tender preparation involving components, equipment utilisation, man hour records;
5. confidential information on acceptable tendering margins;
6. details of the precise financial operations of V.S.L.;
7. market survey information prepared by V.S.L. on prospective jobs, contacts and areas for future exploitation in South-East Asia; and
8. the defendant has had direct access without restriction to the V.S.L. licensor in Switzerland and other V.S.L. licensees in other countries to receive information on future and current procedure and developments.

The defendant's case is that he had already acquired some prestressing experience before he joined the plaintiffs and he has given details of that experience. He has named the various prestressing systems he had become familiar with before he joined the plaintiffs. He stated that his experience with many of these systems involved details of component manufacture and installations in site works and in the utilisation of the necessary equipment for stressing or grouting the prestressing cables. He admitted that prior to joining the plaintiffs he was never in the employ of any prestressing contracting company but claimed that in America he did carry out assignments which involved alternative design of building structures with the aid of the Atlas system being employed as specialist sub-contractors in those building projects. He also visited job sites where the Atlas system had been incorporated in such projects designed by him for the purpose of ensuring that the design was being properly executed. He also gave details of his experience of the V.S.L. system which he gained in California and in Switzerland before joining the plaintiff company. He admitted that in his position as Singapore manager of the plaintiff company he did have access to drawings and specifications. This, he stated, was necessary to enable him to secure manufacture of certain of the components in Singapore. The defendant claimed that he was never told by the plaintiffs that their processes were secret or confidential. He stated that he was not going to use the plaintiffs' designs as he believed that he could make his own designs. The defendant stated that the plaintiffs did not have any secret process and that he did not know of any secret process of theirs apart from the patented multi-strand system. He stated that if and when he started his own prestressing business he was not going to use the plaintiffs' process and that he hoped to acquire an interest in another prestressing company which already possessed most of the basic know-how of this industry. The defendant admitted that any knowledge he obtained in the course of his duty with the plaintiffs obviously had added to his skill, experience and know-how. The defendant maintained that design know-how did not belong exclusively to the plaintiffs nor did the prestressing system; that there were several prestressing systems; that every such system had its know-how; that the success of the V.S.L. system in Singapore was not due to the superiority of their components; that the components used by the plaintiffs thus far and proposed to be used in the future were substantially similar to those of their competitors and that the success of the V.S.L. system in Singapore was attributable primarily to the effective marketing and selling expertise of himself and his friend Paul Lim.

In his evidence, the defendant commented upon all the eight items which Mr. Pash, the managing director of the plaintiff company, claimed were items of confidential information which had come into the possession of the defendant as a result of his employment with the plaintiffs and which the plaintiffs were afraid he may utilise when he sets up in business in competition with them. The defendant's comments, briefly, were these. He stated that the components of the plaintiffs' system are not secret, being substantially similar to those of their various competitors. He did not believe that there was any particular secret about any of the plaintiffs' equipment. He believed that construction use of prestressing materials and equipment was substantially similar between various prestressing companies. He believed that all the cost data of the plaintiffs was not particularly secret; that

such data could not vary too widely among the prestressing companies and that any variation would be due to the efficiency of the management rather than the company's system. Defendant stated that there was no confidential information relating to margins; that margins vary according to the need to secure work; that he had been told the profit margin that had accrued to certain V.S.L. jobs in Australia and that he believed that those margins were probably quite well known to the plaintiffs' competitors. Defendant admitted that he had seen the plaintiff company's balance sheet; that he knew the plaintiffs had a bank overdraft in Australia and that if these were the precise financial matters referred to by Mr. Pash, he had no intention to divulge them even if they were confidential. The defendant maintained that the areas for future exploitation were not the sole prerogative of any particular company. He admitted that a market survey information had been prepared by the plaintiffs but he did not know which parts were secret or confidential. He claimed that he was never told that the market survey was secret and that in fact the market survey consisted in a large part of general businesses and economic investigation of the areas concerned.

The defendant's answer to the four parts of the injunction was as follows:—

(1) "I am not going to utilise information which has been given to me and is stated to be or is a trade secret or is confidential information."

(2) "I am not going to interfere or intermeddle with the plaintiffs' business or its servants or workmen or its agents."

(3) "As regards the third part of the injunction, it is too wide. I have explained it already."

(4) "As regards the fourth part, I have not divulged and have no desire to divulge to any person, firm, company or body any information concerning the business or finances of the plaintiff company."

Counsel for the plaintiffs submitted that the plaintiffs were not seeking to restrain the defendant from using his professional knowledge in matters relating to prestressing. Counsel stressed that what the plaintiffs were seeking to restrain the defendant from was his utilising the information in prestressing construction which he gained during his employment with the plaintiff company which he would not have gained had he not been so employed or would have taken much longer to acquire had he not been so employed. Counsel submitted that throughout his evidence the defendant had generalised on the V.S.L. process of prestressed construction and played down the knowledge and know-how of a confidential nature appertaining to prestressing construction methods or techniques used by the plaintiff company e.g. that pertaining to wedges, prestressing jacks, and grouting pumps which are made under the direction of the plaintiffs and used in their construction. It was submitted that the defendant had been supplied with the design drawings of the component parts and that the defendant could vary and adapt these to his own use. A further submission was that the defendant by leaving the plaintiffs' employment so suddenly of his own volition was seeking to use the period of employment with the plaintiffs as a spring board to set up in business which might be detrimental to the plaintiffs who put him in possession of valuable confidential information.

Counsel for the defendant submitted that the defendant was going to compete with the plaintiffs; that he had not threatened to make use of anything which was secret; and that what the defendant had learnt whilst in the employ of the plaintiffs increased his professional skill and knowledge which he was entitled to make use of now that he had left the plaintiffs' employment. Counsel submitted that it was quite clear from the authorities that an employee leaving his employment can compete with his former employer or join another employer who is in competition but he must not disclose confidential information, which means secret information, which he has obtained in the course of his employment. Counsel added that there was no right of action when the ex-employee had not divulged and was not likely to divulge any information which he may have acquired and therefore the action was premature and should be dismissed.

It is generally assumed that the law upon the subject of restraint of trade has been authoritatively determined by the decision of the House of Lords in the *Nordenfelt's*[1] case as it is, for the sake of brevity, commonly called, and that it is laid down in the clearest and most happily selected language in the oft-quoted passage of the judgment of Lord Macnaghten, so that it is, I think no longer necessary to refer to the earlier authorities. The passage runs thus, at page 565:—

"The true view at the present time, I think, is this: the public have an interest in every person's carrying on his trade freely: so has the individual. All interference with individual liberty of action in trading, and all restraint of trade of themselves, if there is nothing more, are contrary to public policy, and therefore void. That is the general rule. But there are exceptions: restraint of trade and interference with individual liberty of action may be justified by the special circumstances of a particular case. It is sufficient justification, and indeed it is the only justification, if the restriction is reasonable — reasonable, that is, in reference to the interest of the parties concerned and reasonable in reference to the interest of the public, so framed and so guarded as to afford adequate protection to the party in whose favour it is imposed, while at the same time it is in no way injurious to the public. That, I think, is the fair result of all the authorities."

In *Sir W. C. Leng & Co.* v. *Andrews*,[2] Farwell L.J. after quoting the passage from the judgment of Lord Macnaghten, which I have already quoted, said at page 733:—

"The argument which has been addressed to us on behalf of the respondent does not bring the case within that doctrine. That doctrine does not mean that an employer can prevent his employee from using the skill and knowledge in his trade or profession which he has learnt in the course of his employment by means of directions or instructions from the employer. That information and that additional skill he is entitled to use for the benefit of himself and the benefit of the public who gain the advantage of his having had such admirable instruction. The case in which the court interferes for the purpose of protection is where use is made, not of the skill which the man may have acquired, but of the secrets of the trade or profession which he had no right to reveal to anyone else — matters which depend to some extent on good faith."

This proposition was expressly adopted in the House of Lords by Lord Shaw in *Mason* v. *Provident Clothing*

& Supply Co. Ltd.[3] and Viscount Haldane, L.C. expressed agreement with it in the same case. It was again considered with approval in the House of Lords by Lord Atkinson in *Herbert Morris Ltd.* v. *Saxelby.*[4]

The crucial question in this case is whether or not the plaintiffs have any trade secret within the meaning of that expression as used in this type of cases.

The first part of the injunction seeks to restrain the defendant from "utilising or in any way profiting from the information or knowledge which has been communicated to the defendant by the plaintiffs or obtained by the defendant in the course of his employment with the plaintiffs as the plaintiffs' South-East Asia manager stationed in Singapore." There is no evidence that the defendant has used or threatened to use any information which the plaintiffs consider as confidential. He has stated on oath that he is not going to utilise such information, if any, which he may have acquired while in the plaintiffs' employment.

Furthermore, I have been unable to discover what precisely is the trade secret which the plaintiffs are endeavouring to protect. Mr. Pash, the plaintiffs' managing director has listed eight items which he alleged were matters of a confidential nature. It is admitted by the plaintiffs that knowledge of these matters was willingly imparted to the defendant by the plaintiffs. And as for the defendant, he could not help acquiring knowledge of some of these matters in the course of his employment with the plaintiffs as their manager for South-East Asia. There is no evidence that the defendant acquired knowledge of any of the eight matters surreptitiously. Some of these matters are undoubtedly confidential in the sense that the plaintiffs would not like any of their competitors to have knowledge of them but in the other sense they do not in my opinion constitute a trade secret. Knowledge on the part of the defendant of all the eight items mentioned does not in my opinion fall within that class of trade secrets which are considered proprietary rights which the court will unhesitatingly restrain an employee from using or divulging. For example, this is not a case where some secret chemical formulae has been learnt by the defendant while in the employ of the plaintiffs and which the defendant must now be restrained from using or divulging. The plaintiffs have no mysterious chemical or electrical knowledge. Their business is such that they have no regular customers. They have to tender and compete with others for business. This is not a case where the defendant could by personal influence or his acquaintance with individual customers divert business from the plaintiffs to himself. Knowledge of some of the eight matters listed by Mr. Pash has undoubtedly enriched the experience and know-how of the defendant in the prestressing field but such knowledge cannot in my opinion be regarded as knowledge of a trade secret which the defendant must be restrained from using.

The facts of this case are somewhat similar to those in *Herbert Morris, Ltd.* v. *Saxelby,*[4] except that there the plaintiffs had a much stronger case against the defendant who was also a professional engineer. In that case the defendant had entered into a covenant with the plaintiffs that he would not during a period of seven years from his ceasing to be employed by them, carry on business in the United Kingdom similar to that of the plaintiffs. The confidential information in that case which the defendant was alleged to have acquired knowledge of was the following:—

"... They have got up and arranged in an elaborate, careful, and systematic manner a large number of charts, called E charts. These give details of manufacture, charts of strength of materials, and facts ascertained by experience in the carrying on of their various works. They have also drawings called L sheets, comprising tables and plotted curves, indicating the composition and dimensions suitable for particular jobs. They have drawings of special machines, and elaborate indices of the cost of every piece of machinery turned out by them, as well as minute tabulated details of every job obtained or tendered for. They have kept records of the instructions sent out from time to time as to the method of doing various kinds of work, In addition, they have on the commercial side collected and tabulated information as to the requirements of existing customers and probable requirements of prospective ones, so as to keep a record of the work done for the first class, and to determine what kind of advertisements they should send to the second ..."

All these documents were highly confidential but it was held that the information they contained was so detailed and minute that it would be impossible for any employee to carry it away in his head although he might retain the recollection of the general character and principle of the elaborate scheme of organisation but no more. It was held that the tabulated information was not in the nature of a trade secret such as a secret process of manufacture; that the covenant was wider than was required for the protection of the plaintiff company and that it was not enforceable. Lord Atkinson, in his speech said, at page 703:—

"... The respondent cannot, however, get rid of the impressions left upon his mind by his experience on the appellants' works; they are part of himself; and in my view he violates no obligation express or implied arising from the relation in which he stood to the appellants by using in the service of some persons other than them the general knowledge he has acquired of their scheme of organisation and methods of business ..."

What was said in *Herbert Morris, Ltd* v. *Saxelby supra,* in regard to the confidential documents in that case applies equally to the eight items listed by Mr. Pash in this case and in my judgment the plaintiffs are not entitled to the first part of the injunction which they seek against the defendant.

The second part of the injunction is to restrain the defendant from "interfering and intermeddling with the plaintiffs' business or its servants or workmen or agents." There is no evidence that the defendant has interfered or intermeddled with the plaintiffs' business or that there is a likelihood of his doing so. The plaintiffs are firmly in possession and control of their business and work sites in Singapore. The defendant has stated on oath that he is not going to interfere or intermeddle with the plaintiffs' business or its servants or workmen or its agents. In my opinion the plaintiffs' fears are unfounded. Accordingly I do not see any need for the second part of the injunction.

The third part of the injunction, as amended, is to restrain the defendant from "directly or indirectly engaging or concerning himself in any business and employing therein such design or technique and other

processes whatsoever similar to those used by the plaintiffs within Singapore for the period of one year from the 16th June, 1971." The defendant has stated that this restraint is too wide. In my opinion what the plaintiffs are seeking to do is really to prevent the defendant from using the skill, experience and knowledge which as a result of his service with them have become his own. What is asked for here goes far beyond any relief granted in any case which was cited to me. The plaintiffs are saying in effect: "It is true that we did not exact any covenant from the defendant but nevertheless we are entitled to prevent him from using for his own benefit or the benefit of his employers his recollection of any features of our process, design or technique which are in fact peculiar to us." In my judgment the plaintiffs are clearly not entitled to the third part of the injunction.

As regards the fourth part of the injunction, there is no evidence that the defendant has divulged to any person any information concerning the business or the finances of the plaintiffs. He has stated on oath that he has no desire to divulge to any person, firm, company or body any information concerning the business or finances of the plaintiff company. Here again the fears of the plaintiffs are unfounded. There is no justification for imposing the restraint in the fourth part of the injunction.

The real grievance of the plaintiffs, as I see it, is that they made available to the defendant all their knowledge and experience of the V.S.L. system of prestressing; that at considerable expense they sent him to California and Switzerland to further his knowledge and experience of this system; that they have incurred considerable expenditure in introducing and popularising the prestressing system of construction in Singapore; and that having acquired all this additional knowledge and experience at their expense, the defendant suddenly left them and may now set up in business in competition with them in the prestressing field.

Counsel for the plaintiffs cited a passage in the judgment of Roxburgh, J. in *Terrapin Ltd.* v. *Builders' Supply Co. (Hayes) Ltd.*[5] The passage extracted and printed in the Report of Patent Cases is referred to and set out more fully in the judgment of Roskill, J. in *Cranleigh Precision Engineering Ltd.* v. *Bryant*: [6]

"... As I understand it, the essence of this branch of the law, whatever the origin of it may be, is that a person who has obtained information in confidence is not allowed to use it as a springboard for activities detrimental to the person who made the confidential communication, and springboard it remains even when all the features have been published or can be ascertained by actual inspection by any member of the public.... It is in my view, inherent in the principle upon which the *Saltman* case (65 R.P.C., 203) rests that the possessor of such information must be placed under a special disability in the field of competition in order to ensure that he does not get an unfair start."

The facts of this case do not support the suggestion that the defendant will have an unfair start if he sets up in business in competition with the plaintiffs. I do not see how he will be in a better position than the plaintiffs or any of the other competitors of the plaintiffs. Furthermore this very argument was advanced in *Mason* v *Provident Clothing and Supply Co.*[3] It was there argued, apparently for the first time in this class of cases, that an employer might reasonably say, "I will not have the skill and knowledge acquired in my employment imparted to my trade rivals" and that the validity of the restraint did not depend upon personal contact with the employer's customers, but upon the fact that the employee gained from the master that general knowledge which put him into a position to compete with his master and made him a source of danger against which the master was entitled to protect himself. This argument was rejected by the House of Lords. "In fact the reasons" said Lord Parker of Waddington in *Herbert Morris Ltd.* v. *Saxelby, supra*, "and the only reason, for upholding such a restraint on the part of an employee is that the employer has some proprietary right, whether in the nature of trade connections or in the nature of trade secrets, for the protection of which such a restraint is — having regard to the duties of the employee — reasonably necessary. Such a restraint has, so far as I know, never been upheld, if directed only to the prevention of competition or against the use of the personal skill and knowledge acquired by the employee in his employer's business."

On the evidence before me, I am not satisfied that the defendant was entrusted with any trade secret in the proper sense of the expression and the plaintiffs are therefore not entitled to the injunction which they seek. Their claim is accordingly dismissed with costs.

Claim dismissed.

Solicitors: *Allen & Gledhill; Laycock & Ong.*